UTILITY CORP.

Annual Report
to Shareholders

May 21, 2001

Utility Corp.

REPORT TO SHAREHOLDERS

I am pleased to report on the financial results of Utility Corp. (the "Company") for the years ended May 21, 2001 and 2000.

Financial Performance

For the year ended May 21, 2001, the Company's net investment income per share was $1.429 (2000 – $1.370). The increase of $0.059 per share, or 4%, primarily reflects timing differences on dividends received year over year. Total net investment income was $3,600,566 (2000 – $4,054,691), reflecting the reduced size of the portfolio following the 2000 special annual retraction when 447,305 Class C Shares were tendered for retraction thereby decreasing the underlying portfolio by 15.06%.

It is the Company's policy to declare and pay equal monthly dividends on the outstanding shares based on the expected annual dividends and interest income, if any, earned by the portfolio less expected annual expenses. Undistributed net investment income is maintained at an amount representing dividend income earned on the investment portfolio and refundable taxes, both not yet received by the Company, and cash required to fund the equal monthly dividends. For the year ended May 21, 2001, the Company paid dividends per share of $1.386 (2000 – $1.417), representing a dividend yield of 3.2% at May 21, 2001 (2000 – 3.1%). Total dividends include a special dividend per share of $0.024 (2000 – $0.055). Net investment income for the year includes an excess amount available for distribution of $146,200, which the Board of Directors declared as a special dividend in the amount of $0.0684 per Class C Share on August 7, 2001.

At May 21, 2001, the Net Asset Value per Class C Share was $45.96, as compared to $47.07 at May 21, 2000, representing a decrease of 2% due to depreciation in the market value of the portfolio. The total market value of the Company's portfolio at May 21, 2001 was $98,192,282 (2000 – $118,874,573), and includes unrealized appreciation of $49,455,830 (2000 – $64,038,107). The portfolio holdings have been adjusted to reflect the impact of the disposition of The QuébecTel Group Inc. shares as a result of the takeover bid by TELUS Corporation in June 2000. In addition, as a result of the special annual retraction on May 18, 2001, a total of 387,170 (2000 – 447,305) Class C Shares were retracted for cash and portfolio securities with an aggregate value of $17,775,887 (2000 – $21,428,105).

As it is policy of the Company to maintain a fixed portfolio and not to engage in trading except in special circumstances, it is not anticipated that the Company will be subject to capital gains tax in the ordinary course. However, in the event that the Company realizes capital gains, the Company may declare a capital gains dividend on the Class C Shares, as permitted under the Company's Articles. For the year

ended May 21, 2001, the Company realized a capital gain of $2,733,039 on the disposition of The QuébecTel Group Inc. As a result, the Company declared a capital gains dividend subsequent to year-end on its Class C Shares in the amount of $0.6706 per Class C Share. The dividend was payable in cash and automatically reinvested in Class C Shares so that the cash which otherwise would have been distributed or used to pay tax remained fully invested in portfolio shares. Immediately following reinvestment in Class C Shares, the number of Class C Shares outstanding was automatically consolidated such that the number of Class C Shares outstanding was equal to the number of Class C Shares outstanding immediately prior to such payment. The effect on a holder of Class C Shares is a taxable capital gain of $0.6706 per Class C Share with a matching increase in the aggregate adjusted cost base per share. The payment of the capital gains dividend minimizes the tax payable by the Company and, as such, benefits both the Company and its shareholders.

Statement of Corporate Governance Practices

The Board of Directors of Utility Corp. is responsible for the overall stewardship of the Company's business and affairs. The Company is a mutual fund corporation created to acquire and hold its investment portfolio and only trades its portfolio securities in limited circumstances as described in the Company's original prospectus and most recent Information Circular. As such, its portfolio is not actively traded and it can be considered to be a passive investment vehicle. The Company's administrator, Scotia Capital Inc. (the "Administrator"), administers many functions associated with the operations of the Company pursuant to an administration agreement entered into at the time the Company issued its shares to the public. Under this agreement the Administrator is responsible for certain day to day operations of the Company including the payment of dividends on its Class C Shares and attending to the retraction or redemption of its Class C Shares in accordance with their terms. Many of the Board of Directors' and management's responsibilities are set forth and provided for in the Company's prospectus.

The Board of Directors of the Company consists of six directors, three of whom are unrelated and three of whom are senior officers of the Administrator. The Board of Directors believes that this number of directors is appropriate for the Company. The Chairman of the Board of Directors is not the Chief Executive Officer of the Company and is an unrelated director. Only unrelated directors are compensated by the Company. Compensation is considered appropriate given the risk and responsibilities placed on each director. The only standing committee of the Board of Directors is the Audit Committee. The Audit Committee consists of three members, two of whom are unrelated directors. The Audit Committee has responsibility to oversee the Company's financial statements and reports and makes recommendations in respect thereof to the Board of Directors before their approval by the Board. The Board of Directors is responsible for developing the Company's approach to governance issues and for proposing new nominees to the Board (should the need arise) and has not assigned these responsibilities to a

committee. Individual directors may engage outside advisors at the Company's expense in the appropriate circumstances subject to approval at the Board level.

The Company, through its Administrator, maintains an Investor Relations line and web site to respond to inquiries from shareholders.

Given the nature of the Company's business, its limited operations and term and that the Administrator performs many day to day functions for the Company, the guidelines set forth in subsections 474 (2), (4), (5), (6), (9) and (13) of the TSE's Company Manual are either inapplicable to or not appropriate for the Company.

This report, along with the accompanying audited financial statements of the Company, is respectfully submitted to you on behalf of the Board of Directors of Utility Corp.

Toronto, Canada
August 7, 2001

R.C. Wi...

Robert C. Williams
President and Chief Executive Officer

UTILITY CORP.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Utility Corp. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the other financial information presented in this annual report is consistent with the financial statements.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out these responsibilities through its Audit Committee (the "Committee").

The Committee is appointed by the Board. The Committee meets periodically with management and the external auditors to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings semi-annually to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young LLP, the Company's external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Committee.

Robert C. Williams
Chief Executive Officer

Michael K. Warman
Chief Financial Officer

Toronto, Canada
August 7, 2001

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the statements of net assets and investments of Utility Corp. as at May 21, 2001 and 2000, and the statements of investment operations, changes in net assets and undistributed net realized gain on disposition of investments for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Company as at May 21, 2001 and 2000 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada
July 4, 2001

Ernst & Young LLP
Chartered Accountants

UTILITY CORP.

STATEMENTS OF NET ASSETS

As at May 21

	2001	2000
Assets		
Investment portfolio, at market value	$ 98,192,282	$ 118,874,573
Cash and short-term investments	388,382	1,165,721
Dividends receivable	299,593	368,094
Refundable taxes *(note 7)*	514,082	—
	99,394,339	120,408,388
Liabilities		
Accrued liabilities	75,129	75,102
Part IV tax payable *(note 7)*	86,147	144,268
Dividends payable	—	337,168
Reorganization costs payable *(notes 1 and 8)*	—	549,345
	161,276	1,105,883
	$ 99,233,063	$ 119,302,505
Shareholders' Equity		
Share capital *(notes 1 and 4)*	$ 48,581,991	$ 57,309,670
Unrealized appreciation of investments	49,455,830	64,038,107
Distribution in respect of unrealized appreciation *(notes 1 and 5)*	(2,223,288)	(2,626,248)
Undistributed net investment income	1,059,917	528,764
Undistributed net realized gain	2,358,613	52,212
	$ 99,233,063	$ 119,302,505
Number of Shares outstanding *(note 4)*	2,136,168	2,523,338
Net Asset Value per Share *(note 9)*	$ 45.96	$ 47.07

Subsequent event *(note 10)*

See accompanying notes to financial statements.

On behalf of the Board:

Robert C. Williams
Director

Donald W. Paterson
Chairman of the Board

UTILITY CORP.

STATEMENTS OF INVESTMENT OPERATIONS

For the Years Ended May 21

	2001	2000
Revenue		
Dividends	$ 4,024,454	$ 4,497,551
Interest	33,531	50,481
	4,057,985	4,548,032
Expenses		
Administration fees *(note 8)*	337,493	327,314
Directors' fees	27,884	31,104
Transfer agent fees	15,092	20,720
Audit fees	13,041	12,500
Listing fees	12,656	13,690
Custodial fees	9,000	15,000
Legal fees	6,916	9,015
Printing and mailing charges	6,000	30,442
Other *(note 6)*	29,337	33,556
	457,419	493,341
Net investment income for the year	3,600,566	4,054,691
Undistributed net investment income, beginning of year	528,764	827,742
Cumulative effect of accounting change *(note 3)*	427,935	—
Dividends paid	(3,497,348)	(4,209,401)
Part IV tax *(note 7)*	—	(144,268)
Undistributed net investment income, end of year	$ 1,059,917	$ 528,764
Net investment income per Share*	$ 1.429	$ 1.370
Dividends paid per Share	$ 1.386	$ 1.417

* Based on the weighted average number of shares outstanding.

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

For the Years Ended May 21

	2001	2000
Capital transactions		
Reorganization costs *(notes 1 and 8)*	$ 77,567	$ (556,000)
Retraction of Class C Shares	(17,775,887)	(21,428,105)
	(17,698,320)	(21,984,105)
Investment transactions		
Cost of investment portfolio, beginning of year	(54,836,466)	(64,590,941)
Purchase of investment	(4,586,835)	—
	(59,423,301)	(64,590,941)
Cost of investment portfolio, end of year	48,736,452	54,836,466
Cost of investments disposed of	(10,686,849)	(9,754,475)
Market value of investments disposed of	22,366,851	21,421,964
Net realized gain on disposition of investments	11,680,002	11,667,489
Unrealized appreciation/(depreciation) of investments	(14,582,277)	10,928,698
Total realized and unrealized gain/(loss) on investments	(2,902,275)	22,596,187
Income transactions		
Net investment income for the year	3,600,566	4,054,691
Cumulative effect of accounting change *(note 3)*	427,935	—
Dividends paid	(3,497,348)	(4,209,401)
Part IV tax *(note 7)*	—	(144,268)
	531,153	(298,978)
Changes in net assets during the year	(20,069,442)	313,104
Net assets, beginning of year	119,302,505	118,989,401
Net assets, end of year	$ 99,233,063	$ 119,302,505

See accompanying notes to financial statements.

UTILITY CORP.

STATEMENTS OF UNDISTRIBUTED NET REALIZED GAIN ON DISPOSITION OF INVESTMENTS

For the Years Ended May 21

	2001	2000
Undistributed net realized gain, beginning of year	$ 52,212	$ 20,693
Market value of investments disposed of	22,366,851	21,421,964
Cost of investments disposed of	(10,686,849)	(9,754,475)
Net realized gain on disposition of investments	11,680,002	11,667,489
Net realized gain distributed on retraction	(9,373,601)	(11,635,970)
Undistributed net realized gain, end of year	$ 2,358,613	$ 52,212

See accompanying notes to financial statements.

STATEMENTS OF INVESTMENTS

As at May 21

Number of Common Shares 2001	2000	Company	Market Value 2001	2000	Cost 2001	2000	% of Portfolio at Cost 2001	2000
697,081	793,046	Aliant Inc.	$22,202,030	$ 27,756,610	$ 9,565,460	$10,216,553	19.6	18.7
97,283	110,676	BC Gas Inc.	3,239,524	2,966,117	1,510,825	1,659,448	3.1	3.0
131,478	149,577	BCE Inc.	5,436,615	5,055,703	1,037,331	1,025,158	2.1	1.9
4,399	5,004	Canadian Utilities Limited (Class A)	232,927	195,157	103,112	114,085	0.2	0.2
213,506	242,898	Canadian Utilities Limited (Class B)	11,315,818	9,278,704	4,996,024	5,528,975	10.3	10.1
511,719	582,199	Emera Incorporated[1]	8,238,677	8,209,006	6,011,287	6,768,149	12.3	12.3
312,980	356,067	Enbridge Inc.	11,830,644	11,180,504	4,639,353	5,012,569	9.5	9.1
57,078	64,936	Fortis Inc.	2,151,840	2,000,029	1,412,326	1,591,110	2.9	2.9
206,476	234,893	Nortel Networks Corporation	4,583,767	18,521,313	2,629,447	2,304,359	5.4	4.2
292,713	333,008	TELUS Corporation	10,083,962	13,886,434	5,855,413	6,398,239	12.0	11.6
97,573	111,005	TELUS Corporation (non-voting)	3,107,700	4,578,956	1,948,783	2,132,791	4.0	3.9
—	199,436	The QuébecTel Group Inc.[2]	—	4,557,113	—	1,853,989	—	3.4
425,952	484,614	TransAlta Corporation	11,713,680	7,656,901	6,233,470	7,054,759	12.8	12.9
91,564	104,176	TransCanada PipeLines Limited	1,704,006	1,145,936	1,392,606	1,597,636	2.9	2.9
68,645	78,099	Westcoast Energy Inc.	2,351,092	1,886,090	1,401,015	1,578,646	2.9	2.9
			$98,192,282	$118,874,573	$48,736,452	$54,836,466	100.0	100.0

1 NS Power Holdings Inc. changed its name to Emera Incorporated effective July 17, 2000.

2 Reflects the disposition of The QuébecTel Group Inc. as a result of the takeover bid by TELUS Corporation effective June 5, 2000.

In accordance with Regulations under the Securities Act (Ontario), a Statement of Portfolio Transactions (unaudited) for the year ended May 21, 2001 will be provided without charge upon request to the Company at: Utility Corp., 40 King Street West, Scotia Plaza, 26th Floor, Station "A", P.O. Box 4085, Toronto, Ontario, M5W 2X6.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

May 21, 2001

1. CORPORATE ACTIVITIES

Utility Corp. (the "Company"), incorporated under the laws of Ontario, is a mutual fund corporation whose investment portfolio (the "Portfolio") consists primarily of publicly listed common shares of selected Canadian utility companies. The Company had its first reorganization on May 19, 1998 when 3,427,908 of the existing Class A Shares were converted into new Class C Shares on a one-for-one basis. The new Class C Shares have substantially the same terms and conditions as the Class A Shares, which were redeemed and de-listed from The Toronto Stock Exchange (the "TSE") on May 19, 1998. The Company had a subsequent reorganization on May 19, 2000 when shareholders approved the proposed amendments to the Company's Articles which, among other things, allowed the Company to retain the Nortel Networks Corporation shares received as a result of their spin-off by BCE Inc.

As a result of the Company's special annual retraction on May 18, 2001, a total of 387,170 (2000 – 447,305) Class C Shares were exchanged for portfolio securities and cash with an aggregate value of $17,775,887 (2000 – $21,428,105). The retraction has been accounted for as a distribution of the realized gains in the amount of $9,373,601 (2000 – $11,635,970), a pro rata reduction of the distribution in respect of unrealized appreciation in the amount of $402,960 (2000 – $465,547), a pro rata reduction of share capital in an aggregate amount of $9,679,250 (2000 – $11,182,625), and a reduction of the related share issue and reorganization costs in the amount of $874,004 (2000 – $924,943).

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The more significant accounting policies are as follows:

Investments

The Company's investment portfolio is carried at market value. The market value is computed using the closing price on the TSE or another exchange or market. If no closing price is available, an average of the bid and ask prices from the TSE is used.

Short-term investments are presented at cost plus accrued interest which approximates market value. Short-term investments have a maturity date of three months or less from the date of purchase.

Investment transactions are recorded on a trade-date basis.

Revenue Recognition

Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

3. ACCOUNTING CHANGE

Effective May 22, 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. The effect of adopting the liability method of tax allocation was to recognize accumulated refundable taxes of $514,082 as an asset. Prior-year financial statements have not been restated. The cumulative effect, as of May 22, 2000, of adopting the recommendations increased opening undistributed net investment income by $427,935 and increased refundable taxes recoverable by $427,935. The effect of recording this asset has no impact on the Net Asset Value per share as defined in Note 9.

Under the new recommendations, refundable taxes on mutual fund corporations are recorded as an asset since the nature of the activities of mutual fund corporations generally allows taxes to be ultimately recovered. Prior to the adoption of the new recommendations, refundable taxes were recorded as a charge to undistributed net investment income.

4. SHARE CAPITAL

Authorized, Issued and Outstanding

The Company's authorized share capital consists of an unlimited number of Class C Shares and ten Class B Shares. For the year ended May 21, 2001, the carrying value of the Class C Shares is presented net of issue costs of $2,812,573 (2000 – $3,322,338) and reorganization costs of $2,009,646 (2000 – $2,451,452).

		2001	2000
2,136,168	Class C Shares (2000 – 2,523,338)	$ 48,581,981	$ 57,309,660
10	Class B Shares (2000 – 10)	10	10
		$ 48,581,991	$ 57,309,670

Class C Shares

Holders of the Class C Shares will be entitled to receive dividends as declared by the Board of Directors of the Company (the "Board"). The Board has indicated that its policy is to declare and pay equal monthly dividends on the Class C Shares based on expected annual dividend and interest income less expected annual expenses.

The Class C Shares will be redeemed by the Company on or about May 18, 2003 for a redemption price equal to the Net Asset Value per Class C Share on such date, following the liquidation of the Portfolio.

Except as described below, Class C Shares may be surrendered at any time for retraction and holders of Class C Shares who tender their shares for retraction one or more business days prior to the 9th day of each month (a "Valuation Date") will receive payment on the 7th business day following such Valuation Date.

If a Class C shareholder surrenders 10,000 or more Class C Shares for retraction in any month other than in the month of May, such shareholder may elect to receive (and if such election is accepted by the

Company will receive) 95% of its share of the portfolio securities rounded down to the nearest share plus (minus) a number of portfolio securities, as selected by the administrator, valued at the closing price on the Valuation Date, that would represent the share of the amount by which the value of the other assets of the Company exceed (are less than) the liabilities (including dividends received and interest income earned by the Company (net of expenses) which have not been declared as dividends on the Class C Shares) of the Company on the retraction date less $1.00 per share retracted. Class C shareholders not requesting an in specie distribution as described in this paragraph will receive a cash retraction price per Class C Share equal to 95% of the Net Asset Value per Class C Share less $1.00 per share retracted.

If a Class C shareholder surrenders 10,000 or more Class C Shares for retraction in the month of May, such shareholder may elect to receive (and if such election is accepted by the Company will receive) their pro rata share of the portfolio securities rounded down to the nearest share plus (minus) a number of portfolio securities, as selected by the administrator, valued at the closing price on the Valuation Date, that would represent the pro rata share of the amount by which the value of the other assets of the Company exceed (are less than) the liabilities (including dividends received and interest income earned by the Company (net of expenses) which have not been declared as dividends on the Class C Shares) of the Company on the retraction date. Class C shareholders not requesting an in specie distribution as described in this paragraph will receive a cash retraction price equal to 100% of the Net Asset Value per Class C Share.

It should be noted that all the above retractions constitute a taxable disposition of the Company's Shares at the time of the retraction whether the retraction is received in the form of cash or portfolio securities.

Holders of Class C Shares are not entitled to vote any of the portfolio securities held by the Company or at meetings of the Company other than meetings of the holders of Class C Shares, except as provided by law.

Class B Shares

The 10 Class B Shares rank subsequent to the Class C Shares as a class with respect to the payment of dividends and the repayment of capital on the dissolution, liquidation or winding-up of the Company. In the event of the liquidation, dissolution or winding-up of the Company, the holders of the Class B Shares shall be entitled to receive from the assets of the Company $1.00 per Class B Share. No dividends will be declared or paid on the Class B Shares.

The Class B Shares are redeemable and retractable at a price of $1.00 per share, being the stated capital thereof. The holders of Class B Shares are entitled to one vote per share.

5. DISTRIBUTION IN RESPECT OF UNREALIZED APPRECIATION

A distribution of $3,567,709 in respect of unrealized appreciation was made to redeeming shareholders on May 19, 1998 as a result of the capital reorganization. At that time the disposal of common shares was not effected on a pro rata basis due to the sale of the Portfolio debt securities. The distribution represents the unrealized gains which would have been realized had the Portfolio been liquidated on a pro rata basis. The balance has been reduced to $2,223,288 (2000 – $2,626,248) to reflect the special annual retraction on May 18, 2001.

6. OTHER EXPENSES

Other expenses include costs incurred for filing fees, insurance expense, bank charges, capital tax and miscellaneous expenses.

7. INCOME TAXES

The Company qualifies and intends to continue to qualify as a mutual fund corporation under the *Income Tax Act* (Canada) (the "Tax Act"). As a result thereof the Company does not anticipate that it will be subject to any material non-refundable income tax liability, as anticipated in the Information Circular dated December 29, 1997.

Refundable Part IV tax in the amount of $86,147 (2000 – $144,268) has been incurred for the 2001 year. Cumulative refundable taxes of $514,082 have been recognized as an asset in the financial statements as at May 21, 2001.

8. RELATED PARTY INFORMATION

The Company has retained Scotia Capital Inc. ("SCI") under an administration agreement (the "Administration Agreement"), originally dated May 17, 1993 and renewed under substantially the same terms on May 19, 1998, to administer all of the ongoing operations of the Company. In consideration for these services, the Company pays SCI a monthly fee in advance equal to 1⁄12 of 0.25% of the assets of the Company. Furthermore, if the Company elects to receive stock dividends or participate in a dividend reinvestment plan, the amount by which the proceeds received on such disposition of such portfolio securities, net of any costs of disposition and taxes which are not currently refundable, exceed such amount of cash dividends which would otherwise have been received by the Company, will be paid to SCI. The Administration Agreement will expire when all of the Class C Shares have been retracted or redeemed, which is expected to be on or about May 18, 2003.

All of the issued and outstanding Class B Shares of the Company are held by D.F.S. Holdings Limited which, in turn, is held by a director and officer of SCI. Such shares have been lodged in escrow and will not be disposed of or dealt with in any manner until all of the Class C Shares have been retracted or redeemed or without the express consent, order or direction in writing of the Ontario Securities Commission.

During the year, the Company paid SCI commissions of $8,151 (2000 – $1,209) for the reinvestment of the proceeds received following the plan of arrangement of The QuébecTel Group Inc. and the sale of portfolio securities to fund the special annual retraction. In consideration for the 2000 reorganization, the Company also incurred a financial advisory fee and a solicitation fee aggregating nil (2000 – $350,000) payable to SCI.

9. NET ASSET VALUE PER SHARE

The "Net Asset Value per Class C Share" on a particular date will be equal to:

(i) cash on hand plus the Market Price (as defined below) of the Portfolio common shares and other investments of the Company;

less the aggregate of:

(ii) liabilities, including declared but unpaid dividends on the Class C Shares;

(iii) dividends received and interest income earned by the Company (net of expenses) which have not been declared as dividends on the Class C Shares; and

(iv) the amount paid-up on the Class B Shares;

all as determined by the Board, divided by the number of Class C Shares then outstanding.

The "Market Price" of each security in the Portfolio for the purpose of calculating the Net Asset Value per Class C Share will be equal to the weighted average price (net of any sales commissions) per security realized upon the disposition by the Company of such Portfolio security sold to fund a retraction.

Where the Board determines that it is not practicable to sell the proportionate interest in the Portfolio represented by the Class C Shares being retracted, the Market Price of any security in the Portfolio will be: (i) the closing price for such security on the TSE on the trading day immediately preceding the relevant Valuation Date; (ii) if no trading occurred on such day on the TSE, the trading price at which such security traded on such other exchange or market as the administrator may select on such day; or (iii) if no trading prices are available from any exchange or market, the average of the bid and ask prices for such security at closing on the TSE on such day.

For the purpose of reporting the Net Asset Value per Class C Share from time to time, the Net Asset Value per Class C Share on a particular day will be calculated using the Market Price of the Portfolio securities as at the close of trading on such day or, if it is not a trading day, the trading day immediately preceding such day.

10. SUBSEQUENT EVENT

On July 4, 2001, the Board declared a capital gains dividend on its Class C Shares in an amount of $0.6706 per Class C Share, payable on July 20, 2001 to holders of record at the close of business on July 16, 2001. The dividend was automatically reinvested in additional Class C Shares of the Company which were then consolidated. The total dividend amounted to $1,432,514.

UTILITY CORP.

CORPORATE INFORMATION

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Director & Chairman of the Board

Robert C. Williams
Director, President & Chief Executive Officer

Michael K. Warman *
Director, Chief Financial Officer & Secretary

Stanley M. Beck
Director

Brian D. McChesney
Director

John B. Newman *
Director

* *Audit Committee Member*

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Fasken Martineau DuMoulin LLP
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Auditors
Ernst & Young LLP
Toronto, Ontario

Stock Exchange Listing
The Toronto Stock Exchange

Symbol
Class C Shares – UTC.C

Utility Corp.
40 King Street West, Scotia Plaza, 26th Floor
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M5W 2X6